



BUCHANAN DISTRICT LIBRARY

FINANCIAL REPORT

June 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name BUCHANAN DISTRICT LIBRARY	County BERRIEN
Audit Date JUNE 30, 2005	Opinion Date JULY 20, 2005	Date Accountant Report Submitted to State: August 10, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) GERBEL & COMPANY, P.C.			
Street Address 830 PLEASANT STREET, P.O. BOX 44	City ST. JOSEPH	State MI	ZIP 49085
Accountant Signature <i>Robert R. Gerbel CPA</i>		Date 8-10-05	

BUCHANAN DISTRICT LIBRARY

FINANCIAL REPORT

June 30, 2005

CONTENTS

	<u>Page</u>
MANAGEMENT DISCUSSION AND ANALYSIS	I-V
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Governmental Fund Balance Sheet and Statement of Net Assets	2
Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities	3
Notes to Financial Statements.....	4-10
REQUIRED SUPPLEMENTAL INFORMATION	
General Fund - Budgetary Comparison Schedule	11

Management's Discussion and Analysis

Basic Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, and Required Supplementary Information. In the Basic Financial Statements information is included that presents two different views of the Buchanan District Library:

- The first column of the financial statements includes information on Buchanan District Library's General Fund under the modified accrual method. These Fund Financial Statements focus on current financial resources and provide a more detailed view about the accountability of Buchanan District Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method. (See Note 2)
- The Statement of Governmental Revenue, Expenditures and Changes in Fund Balance and Statement of Activities columns provide both long-term and short-term information about Buchanan District Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of Buchanan District Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The Basic Financial Statements also include Notes that explain some of the information in the financial statements and provide more detailed data.

The Required Supplementary Information section follows the Basic Financial Statements and further explains and supports the information in the financial statements.

Condensed Financial Information

The following financial information contains comparative information from the previous fiscal year in compliance with GASB 34.

	<u>2003/2004</u>	<u>2004/2005</u>
Current assets	\$ 177,365	\$ 202,428
Capital assets	<u>765,063</u>	<u>746,991</u>
Total assets	\$ 942,428	\$ 949,419
Long-term debt	\$ 435,000	\$ 400,000
Other liabilities	<u>65,784</u>	<u>58,653</u>
Total liabilities	\$ 500,784	\$ 458,653
Net assets:		
Invested in capital assets, net of debt	\$ 295,063	\$ 311,991
Restricted for donor restricted purpose		-
Unrestricted	<u>146,581</u>	<u>178,775</u>
Total net assets	\$ 441,644	\$ 490,766
Revenue:		
Property taxes	\$ 241,606	\$ 247,566
Other	<u>141,230</u>	<u>138,691</u>
Total revenue	\$ 382,836	\$ 386,257
Expenses – Library services	<u>378,175</u>	<u>338,135</u>
Change in net assets	\$ <u>4,662</u>	\$ <u>48,122</u>

Buchanan District Library as a Whole

- Buchanan District Library's net assets increased by \$48,122 this year. Revenue increased this year and expenses were reduced.
- Buchanan District Library's primary source of revenue is from property taxes, which represents 64% of total revenue. The second most important source of revenue comes from Library fines (including penal fines) which comprise 27% of total revenue. Penal fines are unpredictable and vary yearly depending on police activity and court costs.
- Personnel expenses are a significant cost to Buchanan District Library, representing 48% of total expenditures. In the previous fiscal year additional MERS expenses were required to bring the employee retirement plan to current status. Since the library was current for this fiscal year, personnel expenses were reduced significantly. Also, part-time employees were kept to scheduled hours with few exceptions and extra hours were minimized.
- Depreciation expense represents 19% of Buchanan District Library's total expenditures due to compliance with the GASB34 standards.
- Debt service interest is 7% of total expenditures. Please see the schedule of future principal and interest payments in Note 6 of Notes to Financial Statements for future payment amounts.

Buchanan District Library's Fund

An analysis of Buchanan District Library's major fund is included in the Financial Statements in the first column of the respective statements. The fund column provides detailed information about the most significant fund – not the Library as a whole. The Library Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities, such as special property tax millages. The Library's major fund consists solely of the General Fund.

The fund balance of the General Fund increased during the current year by \$36,137. The increase was in line with the final amended budget.

Personnel expenses are the largest use of resources for this fiscal year. This reflects the fact that Buchanan District Library is a service industry that relies on its staff to fulfill the mission of the organization.

Library Budgetary Highlights

Over the course of the year the Library Board amended the budget to take into account events that occurred during the year. The most significant amendments occurred in property tax income, fines, donations, utilities, media and supplies.

It is difficult to predict exact property tax collection amounts before the Headlee rollback fraction is known, so the budget was originally passed with conservative estimates for tax collections. As amounts became known, adjustments were made by budget amendment.

Because of the nature of penal fines, it is difficult to budget actual amounts collected before the fact. The collection of penal fines is an area over which the library has no control.

Donations were budgeted for much less than the actual amount received again because of the difficulty of predicting human behavior. Much of the library's donation funds depend on the death or relocation of area residents.

Utilities changes were a result of a cold winter and an enormous gas bill. The library is investigating possible causes for the huge increase in the natural gas bill this year. The gas meter has been changed and further tests will be done on the heating system at the beginning of winter.

Media was budgeted at \$30,000 and the library expended close to that in the purchase of new media. However, because of the generosity of library patrons, many books, videos and CDs were donated to the library that were added to the collection. The additional value of these donations amounted to over \$10,000. Also, as a result of a nationwide settlement, the library received 130 new music CDs through the Southwest Michigan Library Co-op.

Library supplies costs were increased as donations of books that could be added to the collection increased. There was also a need to purchase a supply of library patron cards as an increasing number of patrons utilized the library.

Capital expenditures included the mounting of the mural in the Children's Area, the repair and replacement of light fixtures on the West side of the building, and purchase of computer systems.

Capital Assets and Debt Administration

At the end of the fiscal year, Buchanan District Library had \$994,393 invested in land, building, furniture and equipment, and books and materials. During the fiscal year Buchanan District Library added \$2,705 to the building, \$1,815 in furniture and fixtures, and \$40,803 added in books and materials. Buchanan District Library spent approximately \$30,000 for books and materials and received in-kind donations amounting to \$10,803 for items that were added to the collection.

Buchanan District Library's debt rating is excellent. No debt was issued during this fiscal year. Bonded indebtedness for Buchanan District Library totaled \$435,000 at June 30, 2005.

Future Operating Plans

The Library Board is currently investigating options for the replacement or upgrade of the building's heating and cooling system. The Board has received three proposals for an upgrade of the air-conditioning system and another proposal for a complete replacement of the HVAC system. Although there is no equipment failure at this time, because of the age of the equipment, the Library Board is planning for the long-range requirements of the building.

The previous plans to lease the second floor of the library building to the Buchanan Art Center have been changed due to the purchase of another building by the Buchanan Art Center. The Library Board is investigating other uses for the second floor and is actively pursuing efforts to utilize the entire building.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

July 20, 2005

To the Buchanan District Library
Buchanan, Michigan

We have audited the accompanying basic financial statements of the Buchanan District Library as of and for the year ended June 30, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Buchanan District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Buchanan District Library as of June 30, 2005, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the Required Supplemental Information presented on page 11 are not a required part of the basic financial statements, but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain procedures, which consisted principally of inquiries of management, regarding methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Gerbel & Company, P.C.

Right. On time.

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BUCHANAN DISTRICT LIBRARY
Governmental Fund Balance Sheet
and Statement of Net Assets
June 30, 2005

	<u>General Fund Modified Accrual Basis</u>	<u>Adjustments Note 2</u>	<u>Statement of Net Assets, Full Accrual Basis</u>
Assets			
Cash and cash equivalents - NOTE 4	\$ 196,647	\$ -	\$ 196,647
Accounts receivable	5,781	-	5,781
Capital assets - NOTE 5	<u>-</u>	<u>746,991</u>	<u>746,991</u>
Total Assets	<u>\$ 202,428</u>	<u>\$ 746,991</u>	<u>\$ 949,419</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 10,591	\$ 1,000	\$ 11,591
Long-term liabilities - NOTE 6:			
Bonds payable, due within one year	-	35,000	35,000
Accrued interest payable	-	3,196	3,196
Bonds payable, due after one year	-	400,000	400,000
Accumulated employee benefits	<u>-</u>	<u>8,866</u>	<u>8,866</u>
Total Liabilities	<u>\$ 10,591</u>	<u>\$ 448,062</u>	<u>\$ 458,653</u>
Fund Balances/Net Assets			
Fund balance:			
Designated	\$ 1,501	\$ (1,501)	\$ -
Unreserved, undesignated	<u>190,336</u>	<u>(190,336)</u>	<u>-</u>
Total Fund Balance	<u>\$ 191,837</u>	<u>\$ (191,837)</u>	<u>\$ -</u>
Total Liabilities and Fund Balance	<u>\$ 202,428</u>	<u>\$ 256,225</u>	<u>\$ 458,653</u>
Net Assets			
Invested in capital assets - net of related debt		\$ 311,991	\$ 311,991
Unrestricted		<u>178,775</u>	<u>178,775</u>
Total Net Assets		<u>\$ 490,766</u>	<u>\$ 490,766</u>
Total Liabilities and Net Assets		<u>\$ 746,991</u>	<u>\$ 949,419</u>

The accompanying notes are an integral part of these financial statements.

BUCHANAN DISTRICT LIBRARY
Statement of Governmental Revenue, Expenditures,
and Changes in Fund Balance
Statement of Activities
Year Ended June 30, 2005

	General Fund Modified Accrual Basis	Adjustments Note 2	Statement of Activities, Full Accrual Basis
Revenue			
Property taxes	\$ 247,566	\$ -	\$ 247,566
Local grants	1,141	-	1,141
Interest income	2,590	-	2,590
State aid	8,516	-	8,516
Library fines	102,482	-	102,482
Contributions from other governmental units	1,000	-	1,000
Donations	15,648	-	15,648
Other revenue	<u>7,314</u>	<u>-</u>	<u>7,314</u>
Total Revenue	<u>\$ 386,257</u>	<u>\$ -</u>	<u>\$ 386,257</u>
Expenditures			
Personnel	\$ 162,112	\$ 1,745	\$ 163,857
Supplies	7,887	-	7,887
Community promotions	3,688	-	3,688
Insurance	5,427	-	5,427
Utilities	36,413	-	36,413
Maintenance and repairs	16,827	-	16,827
Audiovisual, books, and periodicals	40,803	(40,803)	-
Capital expenditures	2,705	(2,705)	-
Depreciation	-	63,396	63,396
Debt service principal	35,000	(35,000)	-
Debt service interest	20,753	3,197	23,950
Accounting and audit fees	8,184	-	8,184
Miscellaneous	<u>10,321</u>	<u>(1,815)</u>	<u>8,506</u>
Total Expenditures	<u>\$ 350,120</u>	<u>\$ (11,985)</u>	<u>\$ 338,135</u>
Excess of Revenue Over Expenditures	\$ 36,137	\$ 11,985	\$ 48,122
Fund Balance/Net Assets - July 1, 2004	<u>155,700</u>	<u>286,944</u>	<u>442,644</u>
FUND BALANCE/NET ASSETS - JUNE 30, 2005	<u>\$ 191,837</u>	<u>\$ 298,929</u>	<u>\$ 490,766</u>

The accompanying notes are an integral part of these financial statements.

BUCHANAN DISTRICT LIBRARY
Notes to Financial Statements
June 30, 2005

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Buchanan District Library (The "Library") is located in the City of Buchanan, Michigan, and is governed by an appointed seven-member board. The Library is primarily funded through a tax levy, fines and charitable donations. Revenue is used to operate and staff the Library. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

The accounting policies of Buchanan District Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major fund).

C. Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using economic resources measurement focus as the basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations.

D. Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payments is due.

The Library reports only major governmental fund - the General Fund.

BUCHANAN DISTRICT LIBRARY
Notes to Financial Statements
June 30, 2005

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- Continued

E. Financial Statements Amounts

Bank Deposits and Investments - The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Capital Assets - Capital assets are defined by the Library as assets with initial cost of more than \$500 and an estimated life of more than one year, and all books are capitalized. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repair and maintenance are expenses as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Furniture and equipment	10 years
Library books - reference	10 years
Library books - hard cover	5 years
Library books - soft cover	3 years

Long-term Obligations - In the government-wide financial statements, long-term debt is reported as long-term liability. In the fund financial statements, the repayment of debt principal is reported as an expenditure.

Property Tax Revenue - Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2004 ad valorem tax is levied and collectible on December 1, 2004 and is recognized as revenue in the year ended June 30, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2004 taxable valuation of the Library totaled \$211.7 million (a portion of which is abated and a portion of which is captured by the TIFA and DDA), on which ad valorem taxes consisted of 1.1769 mills for operations and debt service. This resulted in revenue of \$247,500, recognized in the General Fund financial statements as tax revenue.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

BUCHANAN DISTRICT LIBRARY
Notes to Financial Statements
June 30, 2005

NOTE 2 - RECONCILIATION

The General Fund's fund balance and the net change in fund balance differ from net assets and change in net assets reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the statement of the General Fund balance sheet and statement of revenue, expenditures, and changes in fund balances. The following is a reconciliation of fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 191,837
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	746,991
Compensated absences are included as a liability	(9,866)
Interest payable is included as a liability	(3,196)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(435,000)</u>
Total Net Assets - Full Accrual Basis	<u>\$ 490,766</u>
Net Change in Fund Balances - Modified Accrual Basis	\$ 36,137
Amounts reported in the statements of activities are different because:	
General Fund reports capital outlay as expenditures in the statement of activities; these costs are allocated over their useful lives as depreciation:	
Library books, material, and equipment	45,323
Depreciation	(63,396)
Increase in the accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund financial statements	(1,745)
Increase in interest expense due to interest payable	(3,197)
Principal payments on long-term liabilities is an expenditure on the fund statements	<u>35,000</u>
Change in Net Assets - Full Accrual Basis	<u>\$ 48,122</u>

BUCHANAN DISTRICT LIBRARY
Notes to Financial Statements
June 30, 2005

NOTE 3 - BUDGET INFORMATION

The annual budget is prepared by the Library Treasurer and adopted by the Library Board; subsequent amendments are approved by the Library Board. Unexpected appropriations lapse at year-end; encumbrance are not included as expenditures.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget had been adopted on a line item basis; expenditures at this level in excess of amounts budgeted is a violation of Michigan law. The budget as adopted is presented in the required supplemental information, and includes expenditure budget overruns.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Library incurred expenditures that were in excess of the amounts budgeted, as follows:

	Amended Budget	Actual
Audiovisual, books and periodicals	\$ 30,000	\$ 40,803
Supplies	7,750	7,888
Miscellaneous	9,087	10,321
Equipment	-	2,705
Accounting and auditing fees	8,050	8,184
Debt payments	55,478	55,753

NOTE 4 - DEPOSITS AND INVESTMENTS

Deposits - State statute allows for the deposit of funds into financial institutions provided those institutions are a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in the State of Michigan under the laws of Michigan or the United States. The Library's funds were deposited in two financial institutions that meet these requirements. At year-end, the carrying amount of the Library's deposits was \$196,647 and the respective bank balances totaled \$201,849. Of the total bank balance, the Federal Depository Insurance Corporation (FDIC) covered \$28,043, \$100,000 was covered by the National Credit Union Administration and \$73,806 was covered by Excess Share Insurance (ESI).

BUCHANAN DISTRICT LIBRARY
Notes to Financial Statements
June 30, 2005

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the Library's governmental activities was as follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2005</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Capital assets being depreciated:				
Building	\$ 651,753	\$ 2,705	\$ -	\$ 654,458
Furniture and equipment	61,187	1,815	-	63,002
Library books, periodicals, and videos	<u>413,871</u>	<u>40,803</u>	<u>177,741</u>	<u>276,933</u>
Total	\$ 1,126,811	\$ 45,323	\$ 177,741	\$ 994,393
Accumulated depreciation	<u>371,747</u>	<u>63,396</u>	<u>177,741</u>	<u>257,402</u>
Net Capital Assets, Beginning of Year	\$ 755,064	\$ (18,073)	\$ -	\$ 736,991
NET CAPITAL ASSETS, END OF YEAR	<u>\$ 765,064</u>	<u>\$ (18,073)</u>	<u>\$ -</u>	<u>\$ 746,991</u>

NOTE 6 - LONG-TERM LIABILITIES

Outstanding Debt

A summary of the debt outstanding of the Library at June 30, 2005, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds payable:					
General obligation bonds	\$ 470,000	\$ -	\$ (35,000)	\$ 435,000	\$ 35,000
Other long-term liabilities:					
Compensated absences	<u>8,119</u>	<u>1,745</u>	<u>-</u>	<u>9,864</u>	<u>1,000</u>
Total	<u>\$ 478,119</u>	<u>\$ 1,745</u>	<u>\$ (35,000)</u>	<u>\$ 444,864</u>	<u>\$ 36,000</u>

BUCHANAN DISTRICT LIBRARY
Notes to Financial Statements
June 30, 2005

NOTE 6 - LONG-TERM LIABILITIES - Continued

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2005, (excluding employee benefits), including principal and interest, are as follows:

Year Ending				
June 30,	Principal	Interest	Total	
2006	\$ 35,000	\$ 19,183	\$ 54,183	
2007	35,000	17,853	52,853	
2008	35,000	16,488	51,488	
2009	35,000	15,070	50,070	
2010	40,000	13,600	53,600	
2011-2015	210,000	41,165	251,165	
2016	<u>45,000</u>	<u>2,205</u>	<u>47,205</u>	
Total	<u>\$ 435,000</u>	<u>\$ 125,564</u>	<u>\$ 560,564</u>	

Interest

Interest expense of the Library for the year ended June 30, 2005, approximated \$23,950.

NOTE 7 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for medical benefit claims and property liability. The Library participates in the Michigan Municipal League risk pool for claims relating to worker's compensation and general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past fiscal year.

The Michigan League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 8 - DEFINED BENEFIT RETIREMENT PLAN

The Library contribute to the Municipal Employees' Retirement System (MERS), a cost-sharing multiple employer defined benefit position plan. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The system issues a publicly available financial report. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, Michigan 48917.

The obligation to contribute to and maintain the system for these employees was established by a resolution of the Board of Trustees and requires a contribution from the employees of 5 percent of gross wages. The Library's actuarial required contribution is 5.1 percent of gross wages.

BUCHANAN DISTRICT LIBRARY
Notes to Financial Statements
June 30, 2005

NOTE 8 - DEFINED BENEFIT RETIREMENT PLAN - Continued

The required valuation information has been omitted from these basic financial statements due to the fact that final information is not available. The Library's participation in this plan is new and final information is expected in the upcoming months.

NOTE 9 - FUND BALANCE DESIGNATION

The designated fund balance represents grant revenue received by the Library, but not spent for its intended purpose until after year-end.

BUCHANAN DISTRICT LIBRARY
Required Supplemental Information
General Fund - Budgetary Comparison Schedule
Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Amended Budget</u>
Revenue				
Property taxes	\$ 228,850	\$ 272,934	\$ 247,566	\$ (25,368)
Library fines	101,150	102,500	102,482	(18)
State aid	5,500	4,256	8,516	4,260
Local grants	1,141	1,141	1,141	-
Interest income	1,500	1,500	2,590	1,090
Other revenue	5,850	6,900	7,314	414
Donations	5,750	4,750	15,648	10,898
Contributions from other governmental units	1,000	1,000	1,000	-
Total Revenues	<u>\$ 350,741</u>	<u>\$ 394,981</u>	<u>\$ 386,257</u>	<u>\$ (8,724)</u>
Expenditures				
Personnel	\$ 165,480	\$ 172,479	\$ 162,112	\$ 10,367
Audiovisual, books, and periodicals	30,000	30,000	40,803	(10,803)
Supplies	6,600	7,750	7,887	(137)
Miscellaneous	8,375	9,087	10,321	(1,234)
Maintenance and repairs	18,412	17,250	16,827	423
Utilities	29,000	36,950	36,413	537
Insurance	6,000	5,427	5,427	-
Capital expenditures	-	-	2,705	(2,705)
Accounting and audit fees	6,100	8,050	8,184	(134)
Community promotions	4,000	4,000	3,688	312
Debt payments	55,478	55,478	55,753	(275)
Total Expenditures	<u>\$ 329,445</u>	<u>\$ 346,471</u>	<u>\$ 350,120</u>	<u>\$ (3,649)</u>
Excess of Revenue Over Expenditures	<u>\$ 21,296</u>	<u>\$ 48,510</u>	<u>\$ 36,137</u>	<u>\$ (12,373)</u>
Fund Balance, July 1, 2004	<u>155,700</u>	<u>155,700</u>	<u>155,700</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2005	<u>\$ 176,996</u>	<u>\$ 204,210</u>	<u>\$ 191,837</u>	<u>\$ (12,373)</u>

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

July 20, 2005

To the Library Board
Buchanan District Library
Buchanan, Michigan

In connection with our audit of the books and records of Buchanan District Library for the year ended June 30, 2005, we offer the following comments and recommendations:

1. When presenting the budget to the Library Board for adoption, the official format should include the following figures:
 - Most recently completed fiscal year
 - Current fiscal year
 - Ensuing fiscal year
2. Upon reviewing the Library Board meeting minutes, it was noted that none of the minutes were signed. Upon approval of the minutes by the Library Board, the Board Secretary should sign the official copy of the minutes to be bound in the record book.
3. During our audit it was noted that original invoices are not cancelled upon payment. The Library should consider adopting a system in which the original invoices are stamped paid when the checks are signed to insure that no invoice is paid twice. It should be noted that we discovered no instances where an invoice was paid twice.
4. During our audit we noted that several checks written after the end of the fiscal year were backdated to June of 2005. This practice weakens the internal control over cash. The date on the check should be the date the check is written and never pre or postdated.

We appreciate the courtesy and cooperation extended to us by the officials and employees of the Buchanan District Library and trust that these suggestions will be received in the spirit of cooperation in which they are offered.

If we can be of any assistance in implementing these suggestions or if you have any questions regarding these or any other matters, please feel free to contact us.

Very truly yours,


GERBEL & COMPANY, P.C.
Certified Public Accountants

Right. On time.

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